

OTHER ACTIONS

IMPEDIMENTS TO MORTGAGE LENDING

Mortgage Lending Study

In 1995, the Community Development Department (CDD) commissioned a mortgage lending study to investigate whether or not lenders in Cambridge provided disproportionately fewer loans to minority neighborhoods and if so, to what extent does this pattern exist. The study was called, "Mortgage Lending Patterns in Cambridge, 1990-94". Home Mortgage Disclosure Act (HMDA) data and census data were used for the analysis. The result of the study demonstrated that "two areas of Cambridge with" a combination of "the highest percentages of Black and Hispanic residents and lowest income levels received mortgage loans at rates substantially below the citywide average". These neighborhoods included neighborhood 3, more formally known as the Wellington-Harrington Area, and neighborhood 4 locally referred to as Area 4. The study indicated race may have been a factor in the disparity in lending patterns. In FY2005 the City will conduct a new mortgage lending pattern study as part of its Impediments to Affordable Housing Study for the 2006 Five-Year Consolidated Plan to document advances in this area.

Census Data & Homeownership Affordability Gap

CDD's experience in the local community has found that the cost of housing is a major obstacle often resulting in residents in lower income areas and a large minority population such as neighborhoods 3 and 4 receiving fewer home-loans than other areas in Cambridge. CDD conducts an annual Housing Affordability Comparison Analysis which, among other details, shows the income gap that exist between the minimum required income to purchase a home and the Area Median Incomes (AMI) as established by HUD given the current median price. This is a tool used to develop policies and program that assist households seeking to become homeowners.

The analysis shows that the median price for a single-family home in Cambridge in 2004 is \$640,000 and that the median income for a family of four at 100% of AMI is \$82,700. Consequently, a family of four would need an income of \$176,183 (218% of AMI) to be able to afford the mortgage on the average single family home in Cambridge. To put a mortgage in reach the City needs to subsidize the cost of development to reduce the selling price of the unit making it affordable to a low and moderate-income family. In addition CDD works with local banks including Cambridge Savings Bank and East Cambridge Bank to provide financial assistance in the form of low-interest loans to prospective homeowners. According to 2000 census data, 62.5% of families in MIT (Area 2), 67.1% of families in Neighborhood 4 (Area 4), 81.1% of families in the Cambridgeport (Area 5), and 81.6% of families in the Wellington-Harrington (Area 3) are at or below the City's median family income limits.

Exclusive of racial issues in the housing market, the high cost of housing in Cambridge relative to the incomes of low and moderate-income families makes qualifying for and affording a large enough home mortgage loan difficult. Regardless of race or ethnicity, low and moderate-income families are mostly able to afford housing in Cambridge that is subsidized, usually by federal, state, and city funds.

Cambridge Policies and Programs for Low & Moderate Income Housing Needs

One of the City's primary objective is to strive to maintain its socio-economic diversity through the creation and preservation of affordable housing, putting mortgages in reach for lower income residents in the City. It subsidizes the development of units to decrease the selling price to families, subsequently, decreasing the mortgage size needed for purchasing a home. As the price of housing in Cambridge continues to rise steadily, low and moderate-income families in Cambridge will find it increasingly difficult to acquire conventional mortgages to purchase a home in the City. Sensitive to mortgage lending barriers in low income areas and among minorities, Cambridge has committed its and new sources as they become available, to create programs for homeownership as well as to address other fair housing issues. It has used the mortgage lending study as a basis for constructive dialogue among city officials, lenders, community-based organizations, and other interested parties to find solutions to address the housing issues faced by low and moderate-income families. Below is some of our progress in this endeavor and plans that will continue into FY2005.

- *American Dream Downpayment Initiative (ADDI)*

Signed into law on December 16, 2003, The American Dream Downpayment Initiative (ADDI) was created by HUD to increase the homeownership rate, among lower income and minority households, and to revitalize and stabilize communities. ADDI will provide financial assistance to help reduce barriers to homeowners on several different fronts, providing downpayment, rehabilitation, and closing costs assistance. The program will provide low-income families with the opportunity to build assets and share in the American dream of homeownership. A total of \$111,504 in ADDI funds will be available to the City of Cambridge for FY 2005. The City will use its allocation in conjunction with its Financial Assistance Program to provide downpayment, closing costs and interest reduction assistance to low-income First-time Homebuyers. Approximately 6 households are expected to receive downpayment assistance through this program.

- *CityHOME Initiative*

In 1995 the Cambridge Affordable Trust headed by the City Manager, began the CityHOME Initiative, allocating \$2 million to the Affordable Housing Trust to increase affordable rental and homeownership opportunities for low and moderate-income Cambridge residents. This was done in response to major changes occurring in the Cambridge housing market including the termination of rent control, changes in

federal housing program policy and escalating land and development costs. Since 1995, the CityHOME Initiative has received over \$42.35 million in City funds. An additional \$ 8.4 million is anticipated for FY2005. The Cambridge Affordable Housing Trust acts as a gap funder, making the minimum contribution required to make projects financially feasible. It intends to continue lending activities in fy2005 and will leverage other private, State, and Federal resources.

- *Homebuyer Classes and Counseling*

The City offers free monthly homebuyer classes. Potential buyers attend four two-hour sessions covering issues such as credit, finding a home, qualifying for a mortgage and the purchase process. The class materials are offered in Spanish, and Creole. In addition, the City offers classes for individuals interested in purchasing a multi-family home. Class graduates eligible for MHFA financing and individual counseling to help them tailor a plan for achieving homeownership.

- *Harvard University 20/20/2000 Initiative*

In the fall of 1999, Harvard University announced the 20/20/2000 program. Through this initiative, Harvard provided \$10 million to the City for affordable housing development. Of these funds, \$6 million have been disbursed to the Affordable Housing Trust and \$4 million will be channeled through two non-profit groups to fund affordable housing projects in Cambridge. Currently, the Trust is using the funds to provide low-interest loans for construction and permanent financing for the development of affordable housing units. In FY2005, Just A Start Corporation, a local non-profit will receive construction financing from the Harvard 20/20/2000 program in the amounts of \$500,000 for 8 affordable homeownership units at Alewife Brook, and \$500,000 for 6 homeownership units on Bolton Street.

- *Incentive Zoning Ordinance*

The Incentive Zoning Ordinance requires that non-residential developers that require a Special Permit, which authorizes an increase in the permissible density or intensity of a particular use, mitigate the impact of their development through a contribution to the Affordable Housing Trust of \$3.28 per square foot. The City is currently seeking City Council's approval to increase the rate to \$7.83 per square foot after completing a recent study that re-evaluated the Incentive Zoning program. In FY 2004, Cambridge received \$918,468 in linkage payments. The Community Development Department anticipates that the City will receive housing contribution payments exceeding \$2,500,000 over the next 5-7 years. Production in the Incentive Zoning program is subject to private developer activity throughout the City.

- *Inclusionary Zoning Ordinance*

In March 1998, the Cambridge City Council passed an Inclusionary Zoning Ordinance that requires the developer of any new or converted residential development with ten or more units to provide 15% of the total number of units to the City as affordable units. The Community Development Department monitors compliance with this ordinance. Housing staff works with private developers to design and implement the marketing, and sale or leasing of units to low-income Cambridge residents. The City has secured 133 affordable units to date. Production in the Inclusionary Zoning program is subject to private developer activity throughout the City. In FY 2004, 18 homeownership units for 1 to 6 person households were marketed through this program. In FY 2005 the City anticipates securing 60 units through the Inclusionary Zoning program.

- *Community Preservation Act ~ State & Locally Raised Funds*

The Community Preservation Act (CPA) is a new tool for communities to preserve open space, historic sites, and affordable housing. Signed into legislation by Governor Cellucci on September 14, 2000, the CPA is a local option that enables communities to establish a municipal Community Preservation Fund by local referendum. Monies collected for this fund are raised from a surcharge of up to 3% on local property taxes. Cambridge adopted the Act at the 3% surcharge level in fall 2001 and has since been awarded matching funds through the states competitive process. The City's Affordable Housing Trust will increase its annual budget to approximately \$8.4 million through FY2005 CPA funds. This will enable the City to maintain its production and ability to raise funds from other sources including federal, additional state, local, and private sources. The City's Affordable Housing Trust will utilize its CPA funds to create and preserve affordable housing.

- *State-HOME Purchaser Assist Grant*

In 2001, the City of Cambridge applied for and received a grant of \$100,000 to provide downpayment and closing cost assistance for eligible low and moderate-income individuals. These funds are currently being used to assist first-time homebuyers. Three families received downpayment assisted through this program in FY2003, and 18 families were assisted in FY2004 to obtain units in the Polaroid project. The City has successfully used the resources of this grant. This funding source will not be refinanced by the state. However, the City plans to fully utilized funds appropriated for FY2005 through the American Dream Downpayment Initiative to continue providing these services to low-income households.

- *Soft Second Loan Program*

The Soft Second Loan Program is a mortgage product that reduces a borrower's monthly mortgage costs. Cambridge will request a commitment from the Department of Housing and Community Development (DHCD) to fund interest rate subsidy and loan loss reserve components of this program. These funds will be used in conjunction with reduced rate first mortgage funds provided by area lenders for low-income buyers. The City anticipates that 10 low to moderate-income families will purchase units with Soft Second loans totaling approximately \$1,500,000.

Mortgage Lending Initiatives for FY2005

- ◆ Complete a New Analysis of Impediment Study. As a part of this process CDD plans to arrange a series of meetings with the Cambridge Consortium of Banks to review the current lending practices in low-income and minority census tracts in Cambridge, and discuss ways to provide opportunities for the lower served areas in Cambridge.
- ◆ Implement the City's American Dream Downpayment Initiative (ADDI) to assist low-income households in Cambridge to become homebuyers. The City will use its HUD allocation of \$111,504 in ADDI funds in conjunction with its current Financial Assistance Program to assist low-income first-time buyers.

City of Cambridge

American Dream Downpayment Assistance Program (ADDI)

The Cambridge American Dream Downpayment Assistance Program will offer downpayment and closing cost assistance to low and moderate-income first-time homebuyers purchasing a home in the City of Cambridge. Financial assistance up to \$10,000 or 6% of the sales price of the house being brought (which ever is greater) will be available to low-income homebuyers purchasing homes on the open market and to homebuyers purchasing affordable limited-equity homeownership units through various programs offered by the City of Cambridge. This assistance may be used with first-time homebuyer mortgages sponsored through the State of Massachusetts in conjunction with private lenders. Twenty percent (20%) of the assistance amount will be forgiven each year after the date of closing provided the buyer continues to reside in the property as their primary residence.

The City will examine the capacity of each applicant to undertake and maintain homeownership as part of the application process. This will involve examining available assets, credit, mortgage eligibility, and estimated percentage of gross income to be devoted to homeownership expense.

The City of Cambridge will advertise the program in its marketing materials and on its web site. In addition, the City will include the program as part of the curriculum for its monthly first-time homebuyer class. Marketing materials describing the program will be distributed to local lenders and real estate agents. The City will also include information about the program when marketing affordable homeownership units and when conducting regular outreach events advertising the various housing services offered by the City.

ADDI Regulatory Citations and References

SUMMARY OF ADDI REGULATIONS

Generally, requirements for HOME-assisted homebuyer projects apply to ADDI projects. However, there are some nuances in the ADDI statute that make the requirements differ slightly. Below is a summary of the HOME regulation sections that applies to ADDI. *Statutory source of requirements: National Affordable Housing Act of 1990 (NAHA).*

SUBPART E - PROGRAM REQUIREMENTS

- Private-public partnership (§ 92.200);
- Distribution of assistance (§ 92.201);
- Income determinations (§ 92.203);
- Pre-award costs (§ 92.212); and
- Matching contribution requirements of §§ 92.218 – 92.222 (apply only to FY 2003 ADDI funds).

SUBPART F - PROJECT REQUIREMENTS

- Maximum per-unit subsidy amount under § 92.250(a) applies to the total HOME and ADDI funds in a project;
- Property standards (§ 92.251);
- Affordability requirements (§ 92.254(a) and (c));
- If a project receives both HOME and ADDI funds, the total of HOME and ADDI funds in the project is used for calculating the period of affordability described in § 92.254(a)(4) and applied to resales (§ 92.254(a)(5)(i)) and recaptures (§ 92.254(a)(5)(ii)).

SUBPART H -OTHER FEDERAL REQUIREMENTS

- Federal and nondiscrimination requirements (§ 92.350);
- Environmental review (§ 92.352);
- Labor requirements (§ 92.354);
- Lead-based paint (§ 92.355);
- Conflict of interest (§ 92.356); and
- Consultant activities (§ 92.358).

SUBPART K - PROGRAM ADMINISTRATION

- HOME Investment Trust Fund under § 92.500, with the exception of paragraphs (c)(2) and (d)(1)(A);
- HOME Investment Partnerships Agreement (§ 92.501);
- Program disbursement and information system (§ 92.502);
- Program income, repayments and recaptured funds under § 92.503, except the program income and recaptured funds must be deposited in the participating jurisdiction's HOME investments trust fund local account and used in accordance with the HOME program requirements;
- Participating jurisdiction responsibilities and written agreements (§ 92.504);
- Applicability of uniform administrative requirements (§ 92.505);
- Audit (§ 92.506);
- Closeout (§ 92.507);
- Recordkeeping (§ 92.508), (sections relevant to homebuyer assistance); and
- Performance reports (§ 92.509).

REMOVE BARRIERS

Through its commitment to provide affordable housing, in FY2005, the City of Cambridge will continue its efforts to remove barriers to affordable housing and encourage support for public policies designed to house its extremely low, low and moderate income residents.

High Cost of Land and Real Estate

The City, through its Affordable Housing Trust, hopes to provide close to \$8.4 million in financing to non-profits to acquire properties to provide affordable rental and homeownership units whenever possible. Given Cambridge's volatile real estate market, when buildings are purchased by the private sector and become market rate units, they then become unaffordable to the economic group with the highest demand for housing in Cambridge. With the City's help, nonprofits will be able to purchase buildings and preserved each unit's affordability through a long-term deed restriction. The City will also continue its efforts to overcome this barrier by considering the use of City-owned land, whenever possible, for development as affordable housing.

The City is continuing to respond to the strong real estate market and escalating property prices by seeking to expand its first-time homebuyer programs to included households with incomes at 80-120% of area median income (AMI). This expansion of our homebuyer program is funded with funds from the Harvard 20/20/2000 Initiative and will be used to secure funds for low cost mortgages such as the Soft Second Loan Program. The Soft Second Loan Program is a mortgage product that reduces a borrower's monthly mortgage costs. Cambridge will also request a commitment from the Department of Housing and Community Development (DHCD) to fund interest rate subsidy and loan loss reserve components of this program. These funds will be used in conjunction with reduced rate first mortgage funds provided by area lenders for low-income buyers. The city will also utilize funds provided through HUD's American Dream Downpayment Assistance Initiative (ADDI) which provides downpayment assistance to low income first-time homebuyers. The City also allocates substantial resources to the nonprofit development of limited equity units for first-time buyers.

Zoning

In 2001, the Citywide Growth Management Advisory Committee was successful in re-zoning formerly non-residential districts to encourage or favor the construction of housing over competing commercial uses. Through the mechanism of Floor Area Ratio limits, all commercial districts now allow more building for residential uses than for commercial and industrial uses. In many of those commercial districts special permit procedures for residential development have been eliminated and housing may now be constructed as-of-right. Finally, in the four industrial districts that had previously prohibited housing construction, residential uses are now allowed to meet the growing demand.

The Cambridge Community Development Department (CDD) has worked for many years to support zoning policies that would promote incentives to encourage developers to provide affordable housing. In March 1998, the Cambridge City Council passed an Inclusionary Zoning ordinance that requires any new or converted residential development with ten or more units to provide 15% of the total number of units as affordable units. In return, the developer receives up to a 30% increase in density. CDD monitors compliance with this ordinance. Staff works with the private developers to design and implement the marketing and sale or leasing of units to low-income Cambridge residents. To date, approximately, 133 units have been secured through the Inclusionary Zoning Program and the City anticipates securing additional 60 units in FY2005.

Cambridge also has an Incentive Zoning Ordinance for commercial development over 30,000 square feet requiring special permits. The Incentive Zoning Ordinance requires that non-residential developers who require a Special Permit, which authorizes an increase in the permissible density or intensity of a particular use, mitigate the impact of their development through a contribution to the Affordable Housing Trust of \$3.28 per square foot. The City is currently seeking City Counsel's approval to increase the rate to \$7.83 per square foot after completing a recent study that re-evaluated the Incentive Zoning program. In FY 2004, Cambridge received \$918,468 in linkage payments. The Community Development Department anticipates that the City will receive housing contribution payments exceeding \$2,500,000 over the next 5-7 years. Production in the Incentive Zoning program is subject to private developer activity throughout the City. This ordinance provides for payments to the Affordable Housing Trust to be used to create and preserve affordable housing. In addition, the Citywide Growth Management Advisory Committee continues to work on comprehensive zoning changes, which will encourage residential development in formerly non-residential districts.

Termination of Rent Control

Since 1995, Cambridge has made significant contributions to increasing affordable housing through its CITYHOME program which to date has received over \$33.95 million in City funds. An additional \$7.2 million will be requested for FY2004. CITYHOME is comprised of several components, including: (1) non-profit sponsored development of rental and homeownership units (new construction and rehabilitation); (2) a program offering financial assistance to low and moderate-income condo buyers; (3) low-interest loan programs for owners of multi-family properties. In return for financial assistance owners set-a-side units as affordable. It is important to note that Cambridge is one of the few localities nationwide that spends significant local funds on affordable housing.

Availability of Funding

Cambridge will work to reduce the resource gap by aggressively seeking out additional federal, state, and private resources to support its affordable housing priorities. In the coming year, the City of Cambridge will continue to reassess all of its housing activities to take advantage of opportunities for expanding the affordable housing stock in a changing market, while working to minimize the impact on its most vulnerable residents. Unfortunately, given the cuts to federal and state aid, leveraging fund will be increasingly difficult.

Competing Concerns of Neighborhood Residents

The strategies to remove this barrier are public education, using prior successful affordable housing developments as examples, and intensive work with neighborhood residents to try to develop support to offset potential opposition. However, it is important to recognize that in a very dense City, there will always be the difficult issue of competing uses for any remaining undeveloped land.

INSTITUTIONAL STRUCTURE IN CAMBRIDGE

The housing delivery structure in Cambridge is complex, involving public private and nonprofit participants at the local, state, and federal level.

Public Institutions

The public portion of the housing delivery system in Cambridge involves both state and local government. The Massachusetts Department of Housing and Community Development (DHCD) manages a number of housing programs, including the state HOME program, the Housing Stabilization Fund, State Affordable Housing Trust, the Soft Second Program, the Housing Innovations Fund, and the administration of the federal Low-income Tax Credit program. DHCD also manages programs that support the development, maintenance, and operations of public housing.

The Massachusetts Housing Finance Agency (MHFA) provides loans to first-time homebuyers and has been an important source of housing assistance to low and moderate-income homebuyers in Cambridge. Due to the high cost of real estate in the City and the strength of market demand, however, even this program has often required additional subsidies to make prices affordable to low and moderate-income buyers.

Two other state-chartered nonprofit agencies, the Community Economic Development Assistance Corporation (CEDAC) and the Massachusetts Housing Partnership Fund (MHP), are important to the delivery service of affordable housing in Cambridge. CEDAC provides resources and technical assistance to community-based nonprofit housing agencies for the development of affordable housing, and has been an important resource for Cambridge's nonprofit housing organizations. MHP is a public agency that provides technical assistance and financing for the development of affordable housing. MHP's Permanent Rental Financing Program provides long-term, fixed-rate financing for multifamily and single room occupancy rental properties of five units or more. Units financed through the program must be rented to income eligible residents at affordable rent levels.

At the local level, the public institutions involved in the housing delivery system are the Cambridge Housing Authority and the City of Cambridge. The Cambridge Housing Authority (CHA) is a stable and efficient public housing authority, with a national reputation for excellence in its management and services for public housing tenants. By statute, it has the right of eminent domain and the ability to bond. The CHA operates a full range of federal and state housing programs, conventional and leased, for low-income elderly and disabled families and individuals. In addition to basic programs such as family and elderly public housing and Section 8 existing certificates and vouchers, the CHA administers a variety of special and innovative housing initiatives. These include a tenant homeownership program, several elderly congregate units linked with state service funding, several special needs residences owned by the CHA and managed by local service providers, a single room occupancy program and a tenant services program that has won

national awards and recognition for effectiveness in working with youth, children and adults.

The CHA's conventional and special needs programs house approximately 2,700 households made up of 5,400 persons. Another 2,100 households with 4,800 persons live in leased housing units. CHA-owned units plus leased housing certificates make up approximately 10% of the City's total rental stock. The preservation and modernization of public housing are key elements of Cambridge's affordability strategy.

Despite the strengths of the Cambridge Housing Authority, diminishing HUD and State funding threaten to undermine the progress that has been made in serving the housing needs of low and moderate income households currently living in Cambridge. If federal responsibility for these programs is abrogated, or if programs are eliminated or funded at unworkably low levels, no amount of local commitment can avoid widespread hardship and a certain degree of actual suffering.

The City of Cambridge is involved in the housing delivery system through its Community Development Department, its Department of Human Service Programs, and the Cambridge Affordable Housing Trust. Nearly 50% of the City's Community Development Block Grant (CDBG) allocation is spent on housing, administered through the Community Development Department (CDD). Along with supplying administrative support and program funds to the local nonprofit housing development agencies, CDD also provides multi-family rehabilitation funds, first-time homebuyer assistance, development funds and technical assistance for substantial rehabilitation and new construction for the benefit of extremely low, low and moderate-income households through the HOME program.

CDD acts as staff to the Cambridge Affordable Housing Trust, which was established in 1988 to develop and sustain affordable housing. The City Manager is the managing trustee for a nine-member board made up of community members who are experts in the fields of real-estate financing and development, affordable housing policy and design, and banking. The Affordable Housing Trust plays an important role in leveraging other financing for affordable housing projects. Since 1995, Cambridge has made significant contributions to increasing affordable housing through its CITYHOME program which to date has received over \$42.35 million in City funds. The Trust lends these funds to local nonprofit housing development organizations to develop affordable housing. An additional \$8.4 million has been requested for FY2005.

The City's Department of Human Service Programs (DHSP) manages a number of programs. These include the Cambridge Multi-service Center for the Homeless, which works with an average of 700 homeless individuals and families annually, helping them to secure housing and gain access to other support services. DHSP helps coordinate shelter providers and groups seeking to develop supportive housing for the homeless, as well as providing financial assistance to shelters for services, operating and capital expenses through the McKinney Funds, Emergency Shelter Grant and CDBG funds.

Nonprofit Organizations

A key role in the Cambridge housing delivery system is played by the local nonprofit housing development agencies. Cambridge is fortunate to have several stable and experienced agencies, which have been integrally involved in the delivery of housing for many years. Cambridge and Somerville Cooperative Apartment Program (CASCAP) concentrates on the delivery of housing to single individual households as well as the mentally disabled population. CASCAP has strengths in both the rehabilitation and development of properties and in the management of group homes and single room occupancy dwellings with a social service component. Three other agencies, Just A Start Corporation (JAS), Homeowner's Rehab, Inc. (HRI), and the Cambridge Neighborhood Apartment Housing Services (CNAHS), have extensive experience in all levels of rehabilitation, new construction and also in the management of multi-family properties. Another nonprofit, the Cambridge Affordable Housing Corporation (CAHC), which is the non-profit subsidiary of the CHA, augment's the Authority's effort to provide affordable housing.

Nonprofit agencies also play a major role in the provision of shelter to the homeless population. These include CASPAR, Shelter, Inc., Hildebrand Family Self-Help Center, First Church Shelter, Shelter Inc., Harvard Square Shelter, the YWCA, the Salvation Army, Cambridge/Somerville Catholic Charities, and Transition House. There are also organizations providing transitional housing for people moving out of shelters, such as the YWCA, the YMCA, Cambridge Family and Children's Service, and Second Home's Cornerstone Community. In addition, the local community action program agency, Cambridge Economic Opportunity Committee (CEOC), provides tenant advocacy services to assist in the prevention of homelessness. Another local nonprofit, the Cambridge Dispute Resolution Center, provides mediation services, and landlord counseling is provided by Just A Start Corporation.

A coalition of Cambridge-based religious organizations and concerned citizens, the Laity and Clergy for Affordable Housing, was developed recently to help promote and create affordable housing for low and moderate-income Cambridge households. The group operates under the nonprofit umbrella of Interfaith Action, Inc., and combines an innovative housing development approach with an emphasis on volunteerism.

Cambridge churches are also involved in the provision of shelter and services to homeless persons, such as meals and furniture for new residences. Three local churches provide shelter and one provides transitional housing for homeless people and is actively considering the potential for developing housing on church-owned land.

Private Organizations

The housing delivery system in Cambridge also involves several private entities, including lenders, developers, and private educational institutions. Local Cambridge banks have been significantly involved in the financing of affordable housing in Cambridge. A consortium of banks has created a fund earmarked for loans to small property owners of multi-family properties. One of these banks is a member of the Federal Home Loan Bank Board and has successfully submitted applications for funding for Cambridge affordable housing projects. In addition, several area lenders participate in the "Soft Second" loan program by offering reduced rate first mortgage funds for first-time buyers through the City's Cambridge Homebuyer Initiative program (CHBI).

Harvard University, one of the City's largest property owners of multi-family rental properties, has played a role in the delivery system for affordable housing. In 1997, Harvard sold 100 rental units in nine buildings to the City in exchange for tax relief. Also, as part of the settlement of a lawsuit, Harvard has established a revolving loan fund of low-interest financing for rehabilitation of the multi-family properties.

In the fall of 1999, Harvard University announced the 20/20/2000 Initiative, which provides \$10 million to the City for affordable housing development over the next three years. Of these funds, \$6 million have been loaned to the Affordable Housing Trust and \$4 million is being channeled through two non-profit groups to fund affordable housing projects in Cambridge. The Trust will issue low-interest loans for construction and permanent financing for the development of affordable housing units as well as low-interest loans for homebuyers earning up to 120% of the area median income.

Although Cambridge is home to some large corporations that are nationally known for their charitable and community involvement, such as Polaroid Corporation and Lotus Development, to date there has been no significant involvement of these corporations in the housing delivery system.

Local developers have been involved in the affordable housing delivery system through the Incentive Zoning Ordinance, which requires payments by developers to the Affordable Housing Trust for commercial development over 30,000 square feet requiring special permits. In March 1998, the Cambridge City Council passed an Inclusionary Zoning ordinance that requires any new or converted residential development with ten or more units to provide 15% of the total number of units as affordable units. In return, the developer receives up to a 30% increase in density. CDD monitors compliance with this ordinance. Staff works with the private developers to design and implement the marketing and sale or leasing of units to low-income Cambridge residents.

Actions to Further Develop Institutional Structure

Cambridge will continue its efforts in the coming year to further develop the City's institutional structure to support its ongoing commitment to affordable housing, community services and a healthy economic base. The following actions will be taken in FY2005:

As property prices continue to escalate in Cambridge, the gap is widening between available resources and outstanding need. There is an increased need for federal funds for housing activities of all types including affordable rental, homeownership, and housing for special needs populations.

Cambridge will work to reduce the resource gap by aggressively seeking out additional federal, state, and private resources to support its affordable housing priorities. The City will work to eliminate any regulatory gaps by working with federal and other agencies to identify problems and, where appropriate, to seek refinements or waivers of regulations that impedes efficient affordable housing production.

Cambridge will continue its outreach to residents, businesses, and organizations through community meetings and various public forums as it prepares to produce its new Five Year Consolidated Plan in fiscal year 2006.

ENHANCE COORDINATION

As it prepares the FY2006 Five-Year Consolidated Plan, Cambridge will work to enhance coordination between public and assisted housing providers as well as private and governmental health, mental health and service agencies. This will be accomplished using both formal and informal networks that bring together public, private and nonprofit housing and service providers. These include groups such as the Cambridge Neighborhood Apartment Housing Services Board, which includes representatives from the Cambridge Housing Authority, non-profit agencies, and the City.

One approach to coordinating services is through contracts for program delivery. Cambridge Community Development has over \$1 million in annual contracts with nonprofit housing agencies for the operation of housing programs. This contractual relationship, involving contact on a nearly daily basis, means that the nonprofits both operate programs on an ongoing basis, and are available to assist with policy and program development.

Cambridge has a number of successful groups and committees that currently work together to provide an effective delivery system for affordable housing production and services throughout the City. A variety of organizations, including the Housing Authority, Community Development Department, the Cambridge Department of Human Service Programs and nonprofit agencies, routinely collaborate on projects and participate in network meetings.

Since 1995, the ***Affordable Housing Development Working Group*** has been meeting monthly to coordinate affordable housing development projects throughout the City. This group is made up of staff from the Community Development Department, the Cambridge Housing Authority, Just A Start Corporation, Homeowner's Rehab, Inc. and CASCAP.

The ***Cambridge Affordable Housing Trust*** is a nine-member independent City board. Their responsibilities range from approving funding requests for housing development projects to assisting the City and the Community Development Department in developing new housing programs and policies. The City Manager who acts as managing trustee appoints its members. The board is made up of community members who are experts in the fields of real estate finance and development, affordable housing policy and design, and banking.

The ***Homeless Services Planning Committee*** comprise of social service providers in Cambridge. They meet each month to discuss social service needs in the City, and to facilitate coordination among social service providers. Members of this committee also include housing staff from the Community Development Department.

Cambridge has a Fair Housing Committee that is active in initiating educational and outreach programs to further fair housing. As required by HUD, the Community Development Department completed its Fair Housing Plan, which consists of an Analysis of Impediments to Fair Housing, an Action Plan to address impediments and a system for maintaining records and fulfilling reporting requirements. The plan was developed in

conjunction with many City departments including: the Human Rights Commission; the Cambridge Commission for Persons with Disabilities; the City Assessor's Office; the City's Affirmative Action Office; the Department of Human Services Programs and the Cambridge Housing Authority, as well as with nonprofit groups such as Homeowner's Rehab, Inc.; Just A Start Corporation; CASCAP and CASPAR.

The City has also been actively involved for several years in an ongoing Growth Management Process. In 1997, a group of citizens petitioned the City Council to make many substantial changes to the zoning regulations of Cambridge to guide the future development of the City. The City Council appointed a Citywide Growth Management Advisory Committee composed of community residents and business people to advise the Community Development Department on the process and information needed for the rezoning study.